June 13, 2021

Ms. Vanessa Countryman, Secretary
Securities and Exchange Commission ("SEC")
100 F Street N.E.
Washington, D.C. 20549
Electronically submitted: www.sec.gov/cgi-bin/ruling-comments

REQUEST FOR COMMENT ON CLIMATE CHANGE DISCLOSURE

To Whom It May Concern:

Allow me, first, to commend the SEC for its request for public input regarding climate change disclosure. As an investor and as a citizen, I support consistent, comparable, reliable and mandatory disclosure of climate and environmental, social and governance (ESG) information.

Rather than echoing the arguments and citations of many other letters, I write to add another lens that is too easily forgotten. I was privileged to work with the Financial Crisis Inquiry Commission (FCIC) – following 15 years on Wall Street including as a Senior Managing Director at Bear Stearns in Strategic Finance, that succeeded prior public service as Chief Counsel and Staff Director of the Consumer & Regulatory Affairs Subcommittee of the Senate Banking Committee, during the "thrift crisis." Lessons from the FCIC's investigation of the causes of financial crisis provide resonant insights into the SEC's disclosure questions.

Historically, financial regulators focused on the risks taken by individual financial institutions and markets but not on systemic risks. With the financial crisis, Washington belatedly realized regulators must focus on risks to the financial *system*. Among the neglected systemic risks that caused the financial crisis, all of which have eerie parallels to our current situation, were: flawed data collection and analysis within (mortgage) markets; inadequate information collected by financial regulators; non-historical change to (housing) prices; sudden widespread and steep downgrades of securities by credit rating agencies from a belated recognition of flawed assumptions; excess system-wide leverage; and, counterparty risks (through derivatives markets, as well as third-party repo) -- to name a few. Could physical and transition climate change cause: sudden, non-historical changes to asset prices; steep changes in the valuations of companies; the realization that currently collected climate data is riddled with inconsistent definitions and approaches so that risk analyses are flawed; shocks from unsuspected and inadequately understood counterparty risks; financial institutions thus finding they have inadequate capital to withstand losses? Yes, and more likely so than not, if the SEC fails to mandate consistent, comparable, and reliable climate disclosures. Indeed, how will the SEC effectively fulfill its statutory role with the Financial Stability Oversight Council (FSOC), which was created to address systemic risks, without mandating such system wide information?

Those who currently argue that mandatory corporate disclosures should be limited only to those that will have a short-term impact on the financial results of the particular firms are failing to learn this lesson of recent history. Climate change clearly is a systemic risk to our economy and to our financial system. I would also submit that inequality (with its related neglect of human capital development and inadequate diversity within our corporations) is an emerging systemic risk as well. If the only information available to the SEC and to investors is the voluntary, cherry-picked, non-assured, non-comparable information available today, systemic risks will be inadequately considered and avoided.

Of course, disclosures impose costs on corporations so that mindfulness of efficiency is warranted. But, misallocations of capital and the costs of externalities can cost far more and those costs must also be part of the balancing of considerations.

My hope is that these comments are helpful to the SEC in its framing of the work ahead. I wish you courage, wisdom and the lessons of recent history as you proceed with overdue climate and ESG regulation.

Most sincerely,

Kim Leslie Shafer

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